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BOEING ANNUAL REPORT 1965

## THE FIRST FIFTY YEARS

On July 15, 1966 The Boeing Company will observe its fiftieth anniversary. It is difficult to conceive any other half century in man's history more stimulating, challenging and rewarding than the span from 1916 to 1966. In those fifty years man's scientific and technological progress has surpassed the total of such advancement in all previous history, and Boeing is proud to have played a leading role in that fantastic acceleration.

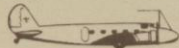
In 1916, 21 Boeing people worked in a shop area of 10,000 square feet to produce an airplane capable of flying 75 miles an hour with its 125 horsepower engine. At the half-century more than 110,000 people, working in plants aggregating 25 million square feet, are designing, developing, managing and manufacturing products which carry passengers at 600 miles an hour, others which will speed to 25,000 miles an hour to escape into space, and still another supplying the rough equivalent of 160 million horsepower in a single booster in flight.

Each of Boeing's five decades has its symbolic representative product: The B & W, the infant company's first plane; the Model 247, first of the modern air liners; the B-17, ready, because the Company foresaw a need, for its yeoman service in World War II; the 707, first American jetliner and still world leader; and Lunar Orbiter, exotic camera-carrying unmanned spacecraft readying for first launch near the end of the fifth decade.

These are symbols only. No record could ignore the other products—trainers, fighters, mail planes, bombers, transports, tankers, pilotless aircraft, helicopters, intercontinental ballistic missiles, giant space boosters—more than 100 separate production models resulting from minds tuned always to the future. There is a moment now for a proud glance at the past and a rededication to the next fifty years, and the next, and the next . . .



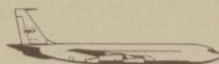
B & W



247



B-17



707

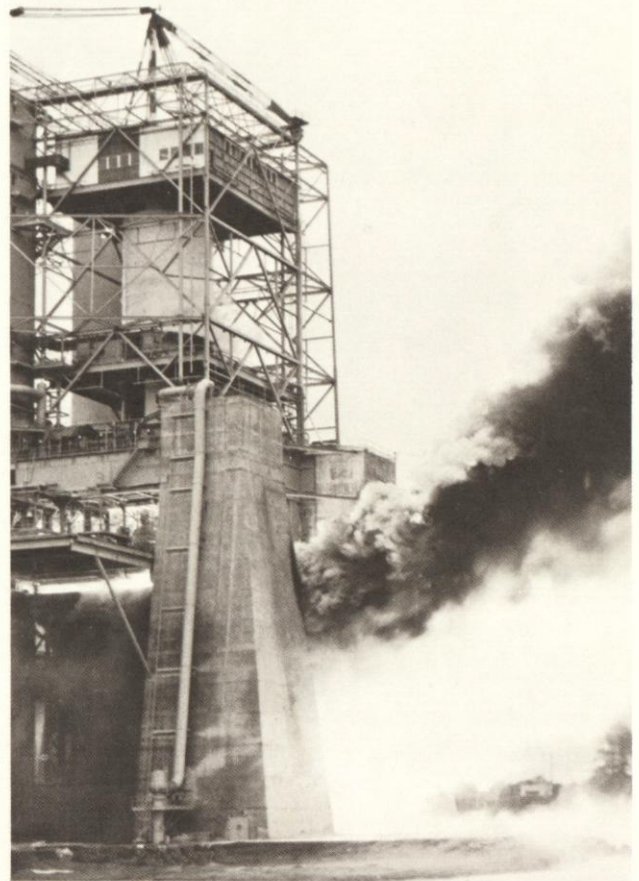


LUNAR ORBITER

## BOEING ANNUAL REPORT 1965

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*Test firing of S-1C first stage Saturn V Booster*

Annual meeting of Boeing stockholders will be held at the offices of the Company, Seattle, Washington on April 25, 1966. Formal notice of the meeting, proxy statement and form of proxy will be sent to stockholders about March 25.

## HIGHLIGHTS

	1965	1964
Sales . . . . .	\$2,023,402,000	\$1,969,487,000
Net earnings . . . . .	78,268,000	45,324,000
Dividends paid . . . . .	20,256,000	16,048,000
Net earnings per share . . . . .	\$9.56	\$5.64
Dividends paid per share . . . . .	2.50	2.00
Per cent net earnings to sales . . . . .	3.9%	2.3%
Shares outstanding at year end . . . . .	8,187,140	8,036,986
Book value per share . . . . .	\$45.41	\$38.13
Salaries and wages . . . . .	\$813,136,000	\$758,475,000
Average number of employees . . . . .	93,400	90,900
Additions to property, plant and equipment . . . . .	\$67,800,000	\$33,600,000
Depreciation and amortization of property, plant and equipment . . . . .	25,489,000	24,667,000

## PRESIDENT'S REVIEW AND OUTLOOK

To the Stockholders:

The concluding sentence of the 1964 letter to stockholders stated: "1965 will be a challenging and, we believe, a rewarding year for The Boeing Company." Gross sales of \$2,023 million and net earnings of \$78.3 million establish that it was a financially rewarding year. Both figures surpass those of any previous year in the Company's history.

While the rewards were encouraging, the challenges, too, materialized and they continue into 1966. On the one hand there was and is the challenge resulting from failure to win certain competitions toward which substantial effort had been devoted. Although it is recognized that no company can win every endeavor, and that our competition has never been more keen, nevertheless we are determined to exert our very best efforts in those competitions in which we are now engaged or may enter in the future.

On the other hand we face the challenge to our productive effort posed by business already at hand, demands resulting from the increased tempo of military activity and the unprecedented and continuing growth of commercial air transport with the resulting expansion of airline equipment needs.

In the military field a 100 per cent increase over the planned production rate of both the Marine Corps "Sea Knight" and the Army "Chinook" helicopters was ordered in mid-1965 by the Department of Defense. A still further increase in Chinook production is being implemented. This has required new production facilities and an increase in employment at the Company's Morton, Pennsylvania, plant.

Minuteman I deliveries and installations were completed during the year and similar efforts begun on Minuteman II. Production of two test vehicles in the Saturn V booster program has been completed. An extensive test program on the Lunar Orbiter spacecraft was begun during the year. First launch, from Cape Kennedy, is scheduled for mid-1966. All three of these programs are on schedule and demonstrate the Company's versatility in missile and space technology.

In the commercial field orders for 418 jet aircraft were received in 1965 and 13 new airlines were added as customers. We are committed to the delivery of 252 commercial airliners during 1966. The 737 short-range jetliner will roll out late in the year. While an extended body version of the 707 is not currently being actively promoted, a longer body 727 has been offered and sales made. Extensive study has been made of an aircraft substantially larger than the 707, and a growing interest in it has been evidenced by those airlines which require a future large volume transport. The project has been given the designation 747 and decision in regard to it will be made in the near future. In addition there is every reason to anticipate a continuing demand for 707s, 720s, 727s and 737s.

To meet these firm and anticipated orders and to improve our capability in the commercial field, a substantial expansion of facilities was authorized during the year. Among the major projects are new final assembly buildings at both the Seattle and Renton plants, a new central fabrication facility to serve both plants, and new laboratory and office buildings.



*William M. Allen*

In addition, authorization was given for enlarging the facilities of the Boeing Space Center, thus further increasing the Company's capabilities in its efforts to obtain and perform additional space age business.

During 1965, \$165 million was authorized for facilities expansion projects and it is anticipated that in excess of this amount will be authorized in 1966.

Paralleling the facilities expansion is the growing need for manpower, particularly in the technical and skilled areas. Employment increased by some 14,000 during 1965 and further substantial increases will be required in 1966.

4 A decision to phase out our gas turbine engine production operations over the next several years was made at the end of 1965 following detailed studies. It was felt that the manpower and financial resources required for full development of the turbine market potential would better be devoted to meeting the increasing demands of the Company's other business areas. The Company will fulfill the commitments of the substantial backlog of turbine business presently in hand and will support equipment in service as long as required.

A determined effort is being extended to increase our proportion of available military and space business. Boeing management, skills and know-how, coupled with excellent facilities, can contribute as much or more in the future as they have in

the past to military requirements and space objectives.

An area of major interest is the Supersonic Transport competition in which the Company is one of two finalists for the airframe portion of the project. Present schedules call for a decision by the end of 1966. While the SST poses major problems in achieving the degree of reliability and economy of operation deemed essential, our design and engineering team made good progress in these areas during the year.

At year end no new proposal as to the extent to which the government would participate in the program had been made public. The magnitude of the undertaking is so great that it is beyond the resources of the prospective builders. Substantial government participation, to be recovered from eventual sales, is required to protect this nation's leadership in world-wide air transportation.

It is gratifying to be able to report that the backlog of firm orders and contracts as of December 31, 1965 was \$3,148 million. Contributing to the significant increase over the previous year's level were the orders for 418 commercial jet airliners announced during the year.

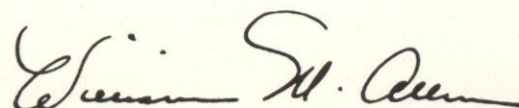
Looking to the future, increasingly heavy investments for plant and equipment and other requirements will be necessary to meet the demand for commercial jet transports and military helicopters and to provide the resources necessary to support current and prospective missile,

space and military aircraft programs. Such investments are of such magnitude that a financing program involving some equity may be desirable. This matter is discussed further in the financial sections of the report.

With increased commercial jet transport deliveries scheduled, helicopter production doubled, and the other major company programs on a profitable basis, sales and earnings should remain at a relatively high level for the coming year. Your management, however, finds no ground for complacency in its improved earnings position. It should be recognized that our high volume of commercial sales is due, to a considerable extent, to the rapid growth in air travel. While it is confidently expected that growth will continue, the rate of growth is dependent upon various factors which cannot be accurately predicted.

Competition for both commercial and government business is most intense. In the international field we find ourselves in competition with companies which are either nationally owned or subsidized. Domestically the number of companies competing for government business in the aerospace field has increased sharply.

It has always been our position, however, that competition makes for a better product and a more aggressive company. As in previous years, we welcome the challenge of competition, aware of the extra effort and dedication required to meet it.

  
President

February 28, 1966



*Full production lines of 727 trijet commercial airliner*

## MILITARY PROGRAMS

By the end of 1965, 800 Minuteman I intercontinental ballistic missiles had been installed ready for instant reaction, and the Company was starting delivery of an advanced version of the missile—Minuteman II. Under present Air Force plans, the Strategic Air Command will ultimately have a total Minuteman II force of 1,000 missiles as the new, more powerful and accurate type replaces the original version in the silos. Flight tests of the advanced missile, utilizing the complete operational system, had been successfully completed by year-end.

Wichita has a continuing responsibility for fleet support of the B-52 accented by use of the B-52 in bombing runs over Viet Nam. More than 250 aircraft of the fleet will be maintained as a vital force.

The United States Army's Boeing "Chinook" helicopter had its baptism of fire in Viet Nam during 1965 and has been highly praised for its reliability by service commands. Also in fleet service in the South China Sea and the Mediterranean is the Navy's vertical replenishment version of the "Sea Knight." A 100 per cent increase over the planned production rate of both the "Chinook" and the Marine Corps "Sea Knight" helicopters "to meet increased military needs" was ordered by the Department of Defense during the year. An armed and armored version of the "Chinook," developed under an Army order, has been delivered for tests.

The Company has received a contract from the Air Force for development of a highly reliable, low-cost

upper stage for use atop Thor standard launch vehicles for placing small- and medium-sized payloads in orbit. Named "Burner II" the solid fuel stages could be modified for use with other boost systems. Although the initial contract is for a limited number of vehicles, additional orders are under active consideration by the Air Force and other customers.

The HiBEX test program, for which the Company was prime contractor, was successfully concluded during the year. HiBEX is a high acceleration experimental booster designed to study problems connected with an advanced interceptor missile concept for the Army.

A proposal to build hydrofoil patrol gunboats for the U.S. Navy was submitted during the year. Early in 1966 the Company was awarded a fixed price contract to build a prototype powered by a water pump jet propulsion system.

In a competition of major significance, the Company has placed strong effort behind its proposal for the development of a short-range attack missile (SRAM) for the Air Force. One other company remains in the competition and a decision in the late summer of 1966 is anticipated. The missile is designed for delivery of warheads from bombers to strategic targets. SRAM may carry either conventional explosive or nuclear armament.

Study efforts continue on new military aircraft systems including VTOL fighters, airborne warning and control airplanes and small vertical takeoff personnel transports.



*Minuteman II Test Firing*

## INTERNATIONAL

Boeing International Corporation, the Company's international arm, has three principal tasks.

First, it seeks business opportunities abroad.

Second, when Boeing capital has been invested, BIC is assigned the general surveillance responsibility for the Company.

The third task is BIC's responsibility for maintaining Boeing offices in a number of foreign locations including Paris, Munich, Bad Godesberg, London and Tokyo and business consultants in Canada, the United Kingdom, France, Germany, Italy, Sweden, India, Pakistan, Thailand, Brazil and the Philippines.

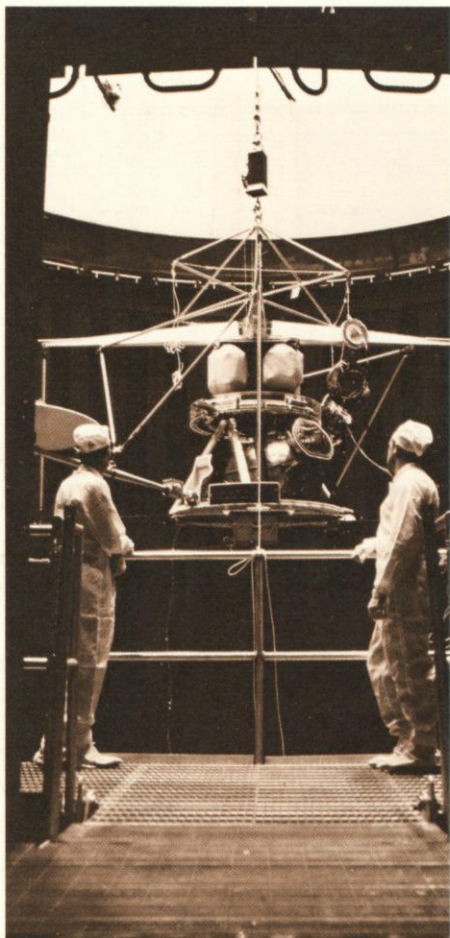
Boeing of Canada, Ltd., reporting to the Vertol Division, has a small maintenance facility for helicopters at Arnprior, Ontario. The Commercial Airplane Division maintains a sales office in Geneva.



*Sea Knight helicopter in vertical supply role*



## SPACE PROGRAMS



*Lunar Orbiter spacecraft enters space simulation chamber for its first environmental exposure test*

The Company's two major space assignments under contract with the National Aeronautics and Space Administration moved to first delivery during 1965.

A primary test version of the first stage booster for the Saturn V launch vehicle was assembled by NASA with Boeing-supplied parts. A subsequent series of tests culminated in a full-thrust, full-duration firing which was accomplished successfully. The Saturn V rocket will launch the Apollo manned spacecraft to the moon and, later, other vehicles for space exploration.

At the Michoud, Louisiana, plant where major work on the Saturn booster is carried on, the first vehicle was completed and delivered and the second has been assembled and is undergoing checkout prior to delivery to Cape Kennedy. Three other vehicles have been assembled by NASA at Huntsville, Alabama, with parts supplied by Boeing. Fabrication and tooling work is continuing at Wichita in support of the Saturn program.

The Company center at Huntsville, working with and providing the Marshall Space Flight Center engineering support on the booster project, is also charged with guiding the Company's systems integration support to NASA for the entire Saturn V Apollo launch vehicle. Under this contract, Boeing is responsible for systems engineering, integration and ground support engineering and testing for Saturn V.

Closely related to the Apollo moon landing project is the Company's Lunar Orbiter program under which unmanned space vehicles will be placed in close moon-orbit. From this path they will relay to earth high resolution photographs of the lunar surface. By the end of 1965 the three ground test models had been completed for performance

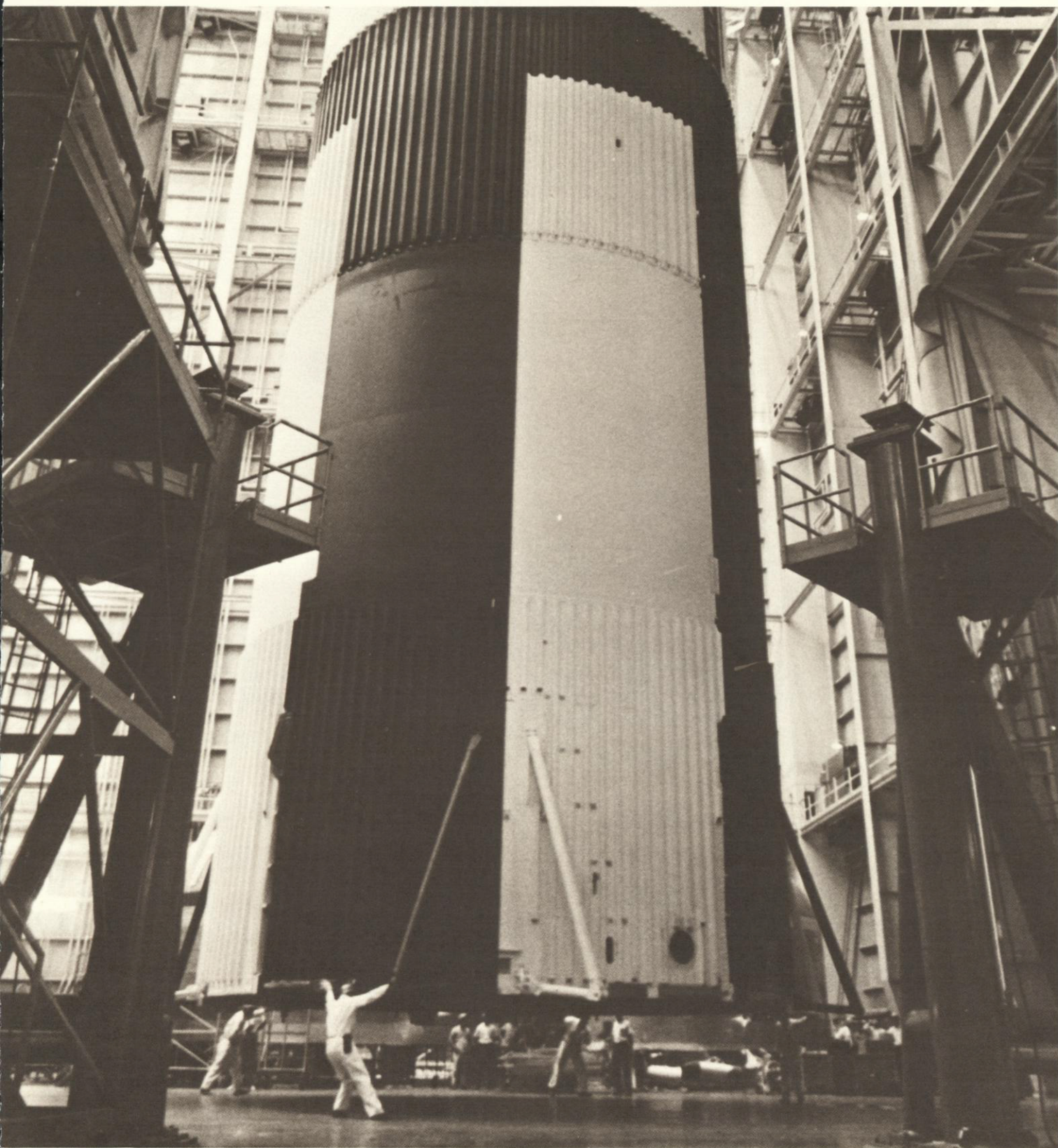
demonstration tests, and the first of five flight units had been completed and was being readied for flight acceptance test. First moon-orbital flight is scheduled in mid-1966.

The Company's role in the Lunar Orbiter program includes major responsibility for supporting mission operations and data acquisition. Boeing employees are located at space stations in Australia, Spain and California. In addition, Boeing will help man the space flight operations facility at Pasadena during missions.

The Company has competed vigorously for NASA's Voyager award. The program is directed at exploration of the planets with particular emphasis on Mars. Late in 1965, NASA announced it was deferring the first Voyager mission until 1973. However, the Company's interest in the Mars exploration program continues.

Under study contracts, the Company is investigating the effects of prolonged radiation on materials and is developing competitively a Lunar Scientific Survey Module, a small, six-wheeled vehicle to transport astronauts on the surface of the moon. A related study project completed in 1965 involved a larger moon vehicle called the Mobile Lunar Laboratory. Other studies include methods of recovery and re-use of booster elements, space mission support requirements and future space booster configurations. Investigations are continuing into the projects associated with post-Apollo missions.

The Boeing Space Center at Kent, Washington, dedicated during 1965 and expansion of which has been authorized, is contributing to the performance of the Company's current space activities and to its efforts to obtain other space business.



*Giant first stage booster for Saturn V dwarfs handlers*



*At year-end, 727s had flown 10 billion passenger/miles*

## COMMERCIAL AIRCRAFT

In 1965, for the second successive year, both new orders and deliveries of Boeing jetliners exceeded previous records. Announced orders during the period totaled 418 while 172 airliners were delivered. Since the start of the commercial jet program, 1113 planes had been ordered by year end 1965, of which 668 had been delivered.

### *The Jetliner Year*

Model	Orders	Deliveries
707-120B	46	4
707-320B	25	24
707-320C	57	24
720B	7	9
727	197	111
737	86	—
Totals	<u>418</u>	<u>172</u>

During the year the largest single commitment for commercial jet airliners in history—144 planes—was placed by United Air Lines. Of the total, 130 were Boeing airplanes—75 firm orders, 30 aircraft on option and 25 on lease. The firm orders included 40 of the new Model 737 twin-jet in the extended body "200" version. This order, following the initial German Lufthansa purchase of 21 737s gave the newly announced twin-engine, short-range jetliner a strong start. By year-end, six airlines had ordered 86 of the 737s, and of these, three held options for 43 more.

Demand for the 727 tri-jet continued high with 197 ordered in various configurations. The long-bodied version, introduced during the year, proved very popular with the airlines. It is particularly adaptable to shorter, high-density routes.

An unfortunate series of accidents involving the 727 late in the year, with erroneous assumptions in certain segments of the press as to cause, resulted in some concern among the traveling public. The



## STOCKHOLDERS' AIRLINE GUIDE

The following Airlines now fly Boeing jets

... and these Airlines will be introducing Boeing jet service soon

AIR ASIA  
AIR CONGO  
AIR FRANCE  
AIR INDIA  
AIR MADAGASCAR  
ALASKA  
ALL NIPPON  
AMERICAN  
AMERICAN FLYERS  
ANSETT-ANA  
ARGENTINAS  
AVIANCA  
BOAC  
BOAC-CUNARD  
BRAATHENS  
BRANIFF  
BWIA (WEST INDIES)  
CALEDONIAN  
CONDOR  
CONTINENTAL

EASTERN  
EL AL ISRAEL  
ETHIOPIAN  
FLYING TIGER  
FRONTIER  
INDIAN  
IRAN  
IRISH  
JAPAN  
JAPAN DOMESTIC  
LUFTHANSA  
MEXICANA  
NATIONAL  
NORTHEAST  
NORTHERN CONSOLIDATED  
NORTHWEST  
OLYMPIC  
PACIFIC  
PACIFIC NORTHERN  
PACIFIC SOUTHWEST

PAKISTAN  
PAN AMERICAN  
PIEDMONT  
QANTAS  
SABENA  
SAUDI ARABIAN  
SOUTH AFRICAN  
SOUTHERN AIR TRANSPORT  
TAP (PORTUGUESE)  
TRANS-AUSTRALIA  
TRANS WORLD  
UNITED  
VARIG  
WARDAIR  
WESTERN  
WIEN  
WORLD AIRWAYS

Federal Aviation Agency and the airlines have expressed complete confidence in the plane's airworthiness. The FAA recently said: "There is no design defect nor peculiar flight characteristic in the 727 which could have caused the accidents."

In addition to the increased air travel trend reflected in the total number of jetliners ordered during the year, the figures emphasized a significant growth of air cargo. Of the 82 very long-range Intercontinental 707s ordered, 57 were cargo or convertible cargo models, and of the 727s, 53 were of the convertible passenger-cargo type. A number of these were the new "Quick Change" or QC model which embodies a conversion innovation developed by the Company. The system embraces cargo container pallets and palletized seats and galleys which can be rolled quickly in and out of the airplane on floor rollers. A complete change from passenger to cargo version, or vice versa, can be made in 30 minutes. Thus a plane which has carried passengers by day may be used in the off-hours of night as a cargo transport—markedly increas-

ing utilization of the aircraft.

Schedule commitments require acceleration of deliveries to 252 aircraft of 6 types for 41 customers during 1966. To accomplish this, additional facilities and manpower are being made available as rapidly as possible. The Wichita facility, in addition to 707 and 727 parts support, is being assigned an important role in providing major sections and sub-assemblies for the 737.

Design, economics and marketing studies are being conducted to determine the feasibility and potential of a new sub-sonic jetliner concept which would provide substantially greater seating or cargo capacity than any commercial aircraft now in service. The Company is consulting airline operators for their reactions to preliminary design details. Decision will be made during the year on adding such an aircraft, identified as the 747, to the Boeing family of jet airliners. It would have a capacity of 350 to 400 passengers or 100 tons of cargo. Growing demand for such an aircraft on high-density and long-range routes indicates that the concept is worthy of

serious consideration.

An eighteen-month government-industry cost-sharing study of supersonic transport technology calls for final proposals from the competing airframe companies by September 1, 1966. Boeing is one of the two airframe finalists. The Company's team has been augmented to meet contract requirements, with work continuing on design and testing of key elements of the airplane in preparation for the prototype phase. Since 1958 Boeing has had an SST study project. More than 1,000 man-years of engineering and 20,000 hours of wind tunnel and power plant testing have been applied to date in development of the Boeing entry in this competition.

Of significant importance to the nation's economy is the favorable contribution to the balance of trade made by the Company's sales to overseas airlines. Since start of the jet transport program, Boeing overseas sales have been approximately one billion dollars. The current backlog for overseas delivery will add \$387 million to the favorable side of the exchange ledger.



*Developmental mockup of short-range 737 in Renton plant*

## BOEING PEOPLE

The Company has been fortunate in maintaining a large nucleus of long-term employees. At mid-1965, more than 35,000 Boeing people had been with the Company more than ten years, with almost 1500 of that number wearing 25-, 30- and 35-year pins. The policy of moving skilled people from program to program and, as needed, from one division or location to another, has resulted in broad bases of experience in management, design, development and manufacture. While no dollar value can be placed upon this experience, the people of Boeing unquestionably constitute its greatest single asset.

A decline in total employment experienced early in 1965 was reversed in March. By mid-June, when the January 1 total had been restored, increased production rates for commercial aircraft and helicopters required an accelerated hiring program which may be expected to continue through 1966. Manpower, particularly in the skilled and technical-professional areas, presents an increasing problem throughout the aerospace industry in the face of a burgeoning economy. Competition for skills in all areas is intense, and major recruitment efforts will be necessary.

The Company has announced requirements for a net increase in employment of more than 15,000 in the Seattle area during the coming year. In addition, net gains are also anticipated at the Morton, Pennsylvania, Wichita, Kansas, Huntsville, Alabama, and Cape Kennedy operations.

Major training programs are maintained by the Company to improve skills, to develop employees who are capable of advancement into supervision and to prepare the vital pool of trained management



people for the executive positions of tomorrow. During 1965, both on-shift and off-shift training for hourly employees totaled more than 1,100,000 man-hours, and management courses exceeded 160,000 man-hours.

An off-hour course in public affairs has been offered since 1959 to employees and their wives. Its purpose is to encourage understanding of and participation in community and state political and economic affairs and to emphasize, on a non-partisan basis, the importance of the individual's informed and active part in his government whether as candidate, precinct worker or voter. Since its inception, more than 4,500 have taken the course.

During the year, new three-year labor contracts were negotiated with

the International Association of Machinists and the United Auto Workers unions, representing the hourly production and maintenance employees at the various Company locations. A strike of the Machinists union at all installations where it has bargaining rights was called on September 16. Continued negotiations resulted in agreement ending the strike on October 4, with a mutual recognition that one unresolved issue, that of performance analysis, the Company's system of manpower control, is a matter of great complexity. It was agreed to continue negotiations on this issue for an additional six months. The right to strike on this issue alone is reserved to the Machinists union if, by April 1, agreement has not been reached.



*Detailed globes are visual tools in space flight research*

## RESEARCH

Boeing's first research tool was a primitive wind tunnel built in 1918. It was possible in it to simulate the conditions of manned flight in the atmosphere under controlled conditions. Today research in flight beyond the atmosphere is carried out in space chambers and navigational and docking simulators at the Company's new Space Center. In radiation effects laboratories scientists probe the nature of radiation in space and its effects on men and materials. In scores of other laboratories research goes on.

And just as that early research in 1918 guided the Company on its pioneering steps in airplane development, so its present research is pointing to new paths in man's conquest of space.

Mathematics, the universal language of science, is used increasingly as a tool of research, particularly since advent of the electronic com-

puter. One such application combines mathematical techniques, the latest computers and the eleven-year-old Boeing jet prototype. The research was to determine the response to pilot controls of future aircraft, larger, smaller, faster, slower than today's. By installing an analog computer which interpreted the pilot's control forces in terms of the hypothetical future aircraft, it was possible to make the 1954 prototype react as though it were in fact the airplane of day after tomorrow. Data gathered are being applied to studies on a supersonic transport design.

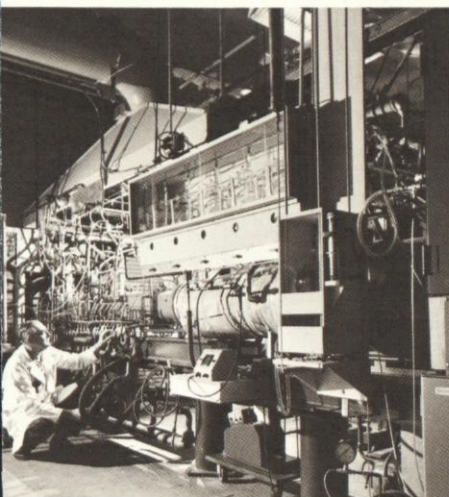
In another application of mathematical research to computer exercises, the airline routes of potential customers are analyzed to determine the optimum number and types of jet airliners they might require in an equipment modernization program.

Development of a tiny, inexpen-

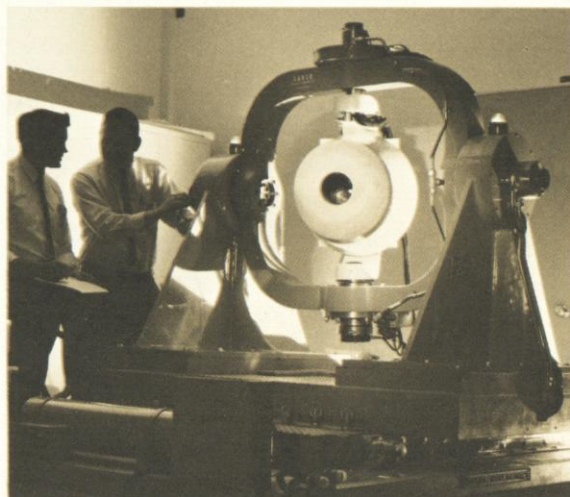
sive device for use in testing theories in the search for a power-producing thermonuclear reactor has the potential for saving millions of dollars and years of time devoted to experimental work. In a dramatic test of the inexpensive device developed in Boeing Scientific Research Laboratories the equipment duplicated and confirmed in a few weeks the results of more than two years' work by an earlier researcher and at a fraction of the cost.

While the discussion here has been primarily of basic research, applied research on processes, products and materials is carried on throughout the Company's divisions. From such research comes the constant advancement in such diverse programs as jet aircraft, missiles, boosters, spacecraft and helicopters, which has enabled the Company to maintain its position of leadership throughout the years.

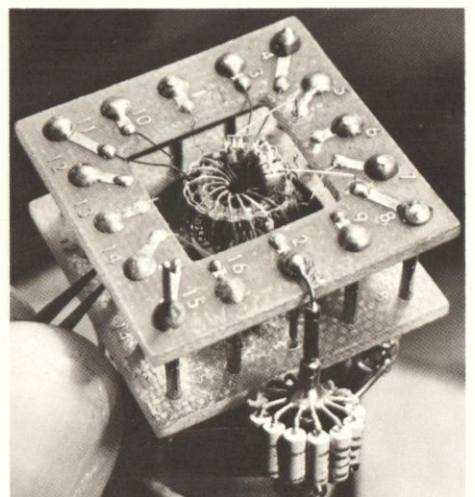
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*Laboratory experiments seek supersonic combustion answers*

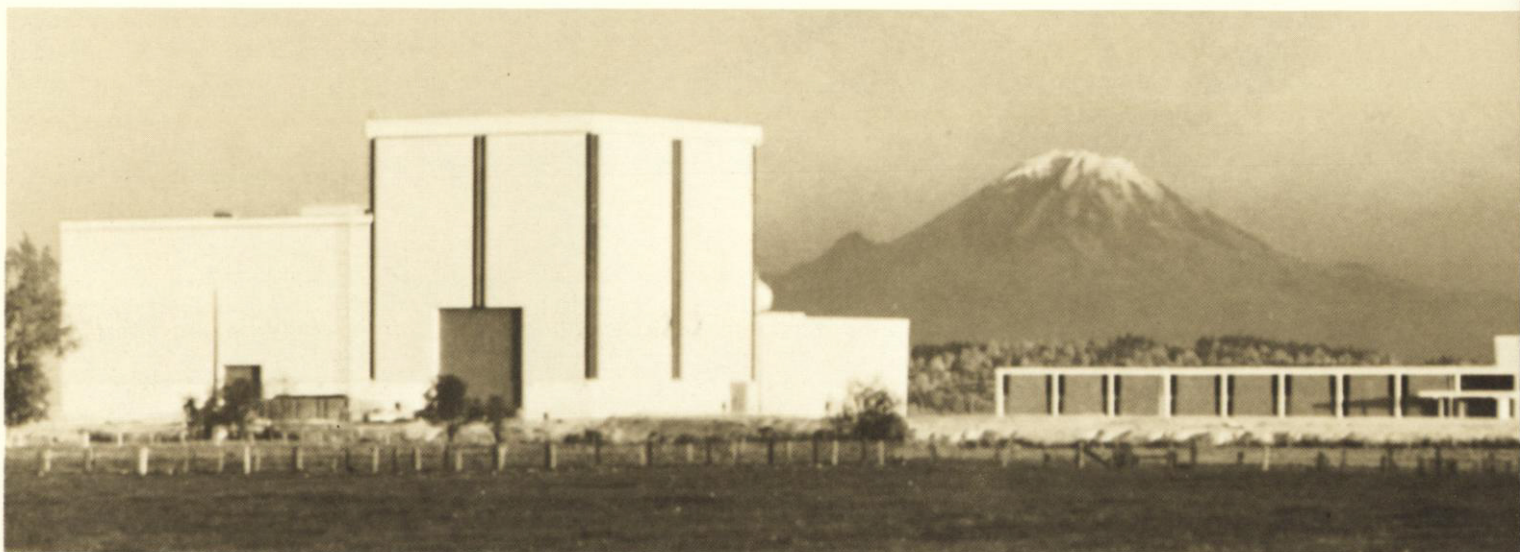


*Equipment provides missile optical guidance simulation in electronic optical laboratory*



*Tiny device is tool in inexpensive thermonuclear power reactor search*

## FACILITIES



*Kent Space Center Laboratories, dedicated in 1965, will be doubled in area when construction under way is completed*

16

To increase the Company's capabilities in both commercial and governmental areas, substantial facility additions were authorized in 1965 and more will be required during 1966.

For the Commercial Airplane Division these new facilities include major final assembly buildings, a new paint hangar and laboratory and office buildings. In addition, operation of Plant II at Seattle has been assigned to the Commercial Airplane Division and negotiations are nearing completion for purchase of those remaining portions of the plant which are still government property.

A central fabrication plant is under construction at nearby Auburn

to serve both the Renton and Seattle plants.

These various facility additions are required to meet the Company's commitment to deliver 252 jetliners in 1966—80 more than in 1965, to accommodate production and final assembly of the 737 and to provide capability to meet the continuing demand for airline equipment.

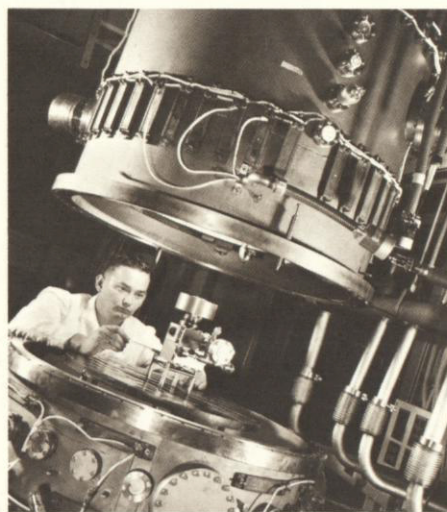
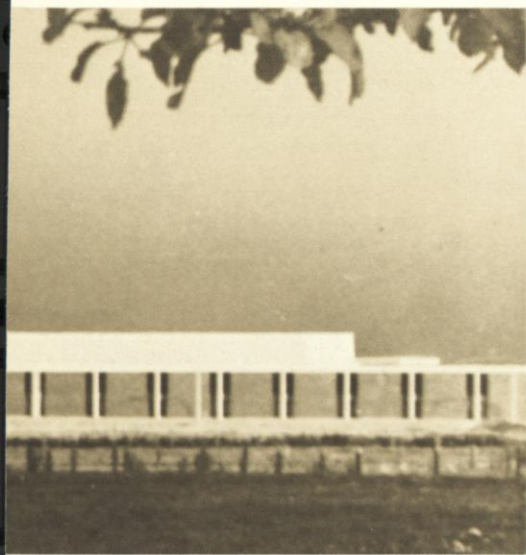
The Boeing Space Center at Kent in the Seattle area was dedicated during the year. To permit concentration of all Company space efforts, authorization to practically double the Space Center facilities was given during the year. This work is well under way and scheduled for completion by the end of 1966.

The Department of Defense order to double Chinook and Sea Knight helicopter production also called for facilities expansion. As a result, the Company has acquired a 112-acre industrial complex adjacent to the present Engineering and Dynamic Center near Philadelphia. The addition, with more than 1 million square feet of covered area, provides adequately for the accelerated production schedules and still leaves room for production growth. Also scheduled for construction in this area are a highly advanced wind tunnel for helicopter and vertical takeoff and landing aircraft research, and an engineering laboratory building.

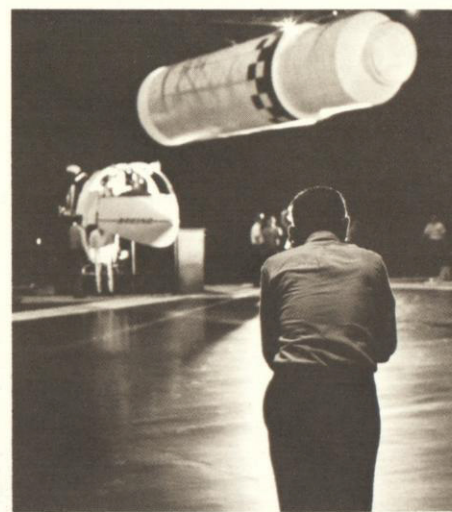
*Closed circuit TV is monitored for simulation of space flight*

*Graphic layout of Space Center control panels aids efficiency*

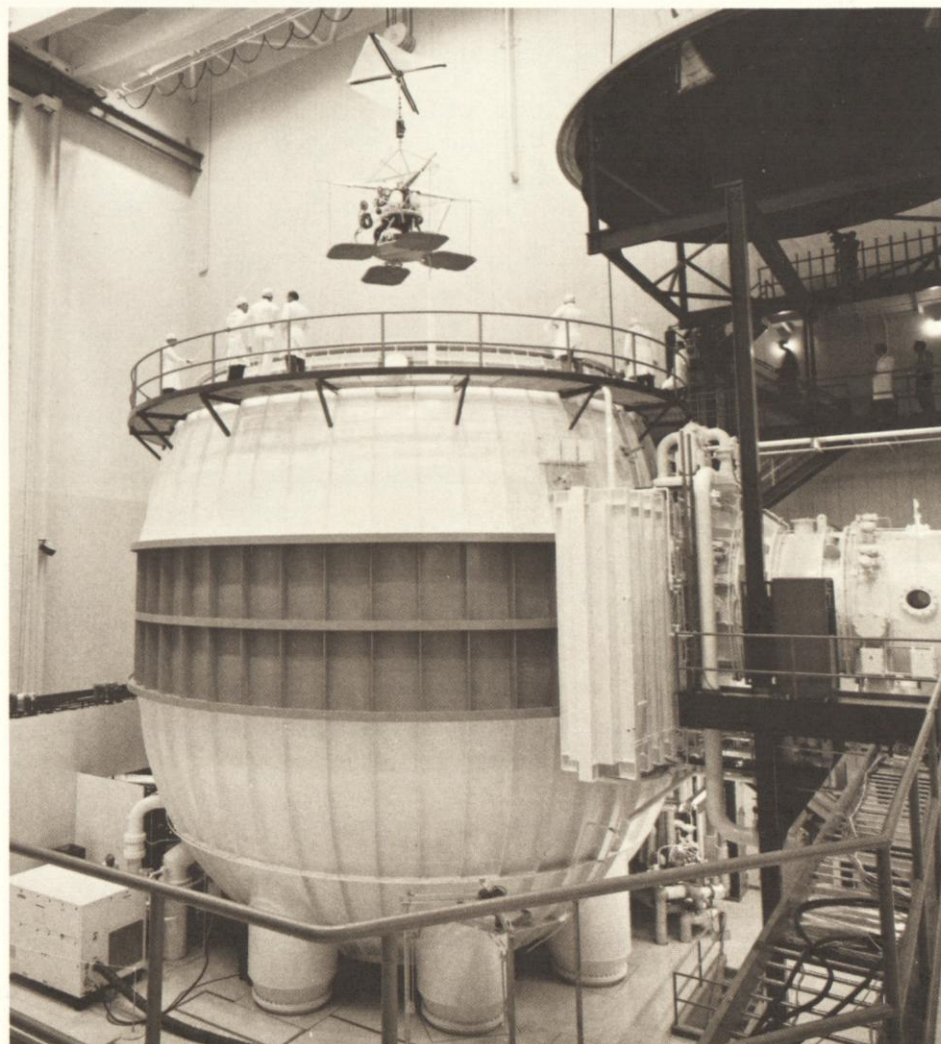
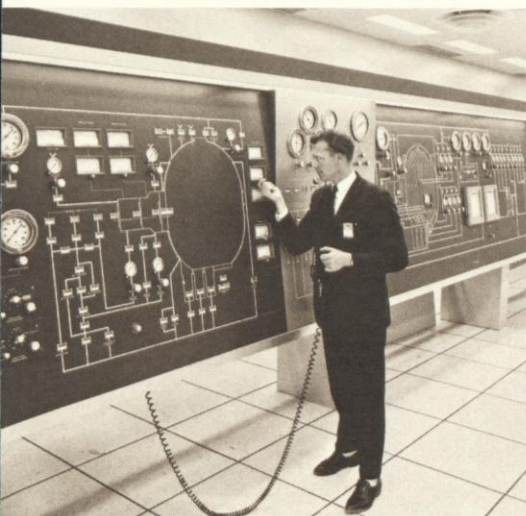
*Space chamber receives NASA-Boeing Lunar Orbiter for tests under environmental conditions*



*Lunar Orbiter component test  
readied on space chamber base*



*Space docking simulators in  
Kent Center provide training*



## FINANCIAL REVIEW

SALES (in millions)	1965	1964
Commercial . . . . .	\$1,003	\$ 701
Missiles and Space . . . . .	609	731
Military Aircraft . . . . .	411	537
Total . . . . .	<u>\$2,023</u>	<u>\$1,969</u>

Total sales exceeded \$2 billion for the first time in the Company's history. The commercial aircraft program was again the major contributor to sales among the Company's principal programs. With deliveries of 707-720s increasing to 61 and of 727s to 111 from prior year levels of 38 and 95, respectively, jet transport sales were approximately \$300 million higher than those reported in 1964. Sales of \$13 million under SST study contracts are included in the commercial aircraft total. Sales to the U.S. Government of \$1,020 million were approximately \$250 million less than those reported in 1964. With respect to missile and space programs, the further reduction in Minuteman sales was partially offset by increased activity in 1965 on both the Saturn and Lunar Orbiter programs. On military aircraft programs, the substantial reduction in KC-135 sales attributable to the phase-out of that particular model in 1965 and somewhat lower sales on B-52 modification and maintenance programs were partially offset by increased Sea Knight and Chinook helicopter sales.

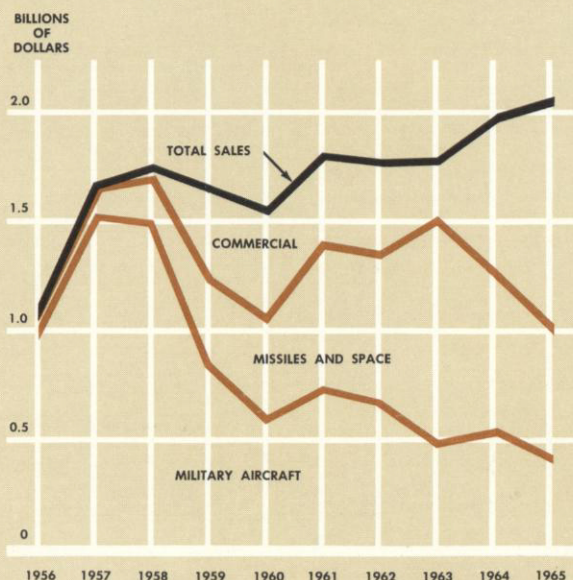
Looking ahead to 1966, sales should be somewhat higher than the prior year's level by reason of increased commercial aircraft deliveries. Schedules call for delivery under sales contracts of 227 jet transports in 1966, as compared to the delivery of 172 in 1965. In addition, 25 commercial jets will be delivered to airline customers under lease arrangements. With missile and space sales projected for a nominal decline and with increased helicopter deliveries only partially offsetting the further reduction in activity on the B-52 and KC-135 programs, total government sales in 1966, based on current programs and schedules, should be somewhat lower than 1965 levels.

EARNINGS	1965	1964
Net earnings (in millions) . . . . .	\$78.3	\$45.3
Profit Margin . . . . .	3.9%	2.3%
Earnings per share . . . . .	\$9.56	\$5.64

Earnings in 1965 far exceeded those of any previous year in the Company's history. The increased profitability is primarily attributable to continued favorable developments on the commercial jet transport programs and the Model 107 (Sea Knight) and Chinook helicopter programs. In this connection, it must again be emphasized that the Company's policy of charging research, developmental, testing and certain other initial production costs against earnings in the earlier phases of commercial jet transport and straight fixed-price military programs, although properly conservative in light of the high risk nature of such programs, results in reported profit margins in the latter stages of a successful program being substantially higher than the cumulative over-all program margins.

Cost performance during 1965 on the 707-720 and 727 models continued favorable and when combined with increased aircraft and spares deliveries, resulted in a significant increase in reported profits over 1964 levels. Partially offsetting this increase were research, developmental and other initial production charges relating to the Model 737 short-range jet

SALES BY PRODUCT LINE



transport and to 707 and 727 model improvement programs.

The heavy charges relating to the introduction of the various configurations of the Model 107 helicopter resulted in a substantial drain on earnings in 1964 and prior years. With such charges fully recognized and with cost performance on both the 107 and Chinook programs having shown significant improvement, the Vertol Division in 1965 was a contributor to reported earnings for the first time since its acquisition in 1960.

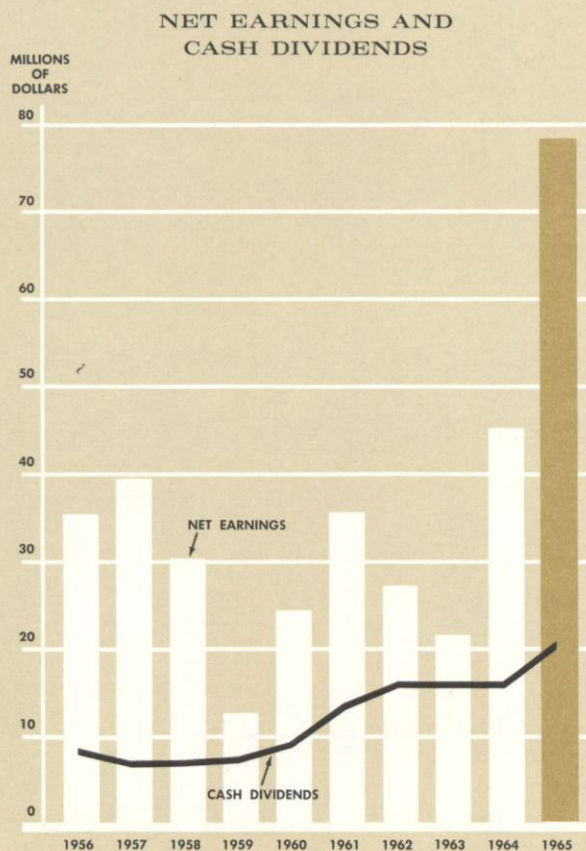
Although the volume on missile and space programs and the B-52 and KC-135 was below prior years' levels, cost performance has been maintained in most instances at previous levels or improved upon, and over-all profit margins in 1965 were comparable to prior periods.

As reported in the third quarter stockholders' letter, the dynamic, volatile and high-risk nature of aerospace business requires that accounting policies and financial reporting practices be continually reviewed. In this connection, with the 737 two-engine short-range jet and the 727-200 long-body jet transport programs having been committed to production in 1965 and with the prospect of a 747 advanced intercontinental jet transport program being undertaken in 1966, it was deemed desirable to change certain accounting policies with respect to commercial jet transport programs. The changes provide for basic production engineering and planning costs to be charged directly against earnings as incurred. Previously, such costs were included in inventory and charged to cost of sales on a proportionate basis as deliveries of aircraft in applicable costing blocks were made. This revised policy provides for heavier charges against earnings in the earlier phases of such programs and is consistent with the Company's objective of maintaining as conservative financial reporting policies as is practical. The changes resulted in reported 1965 net earnings being \$9.7 million less than what would have been reported if earnings had been based on the

accounting policies followed in 1964 and prior years.

The profitability of the commercial jet transport program as reflected by reported annual earnings is influenced by such factors as production rate and production cost trends, costs relating to model improvement programs and to the introduction of new models, and competitive conditions. Each of these factors has major profitability implications and their nature is such as to make forecasts of profitability from year to year most difficult. As previously stated, such forecasts cannot be a straight extrapolation of previous trends but must consider the effect on earnings of costs incurred and risks assumed in maintaining the Company's competitive position in the Free World jet aircraft market.

With increased research, developmental, testing and engineering activity on the 737 and 727-200 programs, and the possibility of an early decision to proceed with the 747 program,



charges against earnings in 1966 relating to new models and model improvement programs will be substantially increased over 1965 levels. Favorably affecting earnings in 1966 will be increased deliveries of 707s, increased deliveries of 727s at improved profit margins, and a further improvement in the profitability of the helicopter operations.

#### FINANCIAL POSITION

The Company's over-all financial position continues strong, with working capital of \$260 million and no bank loans outstanding. Long-term debt aggregates \$98 million, down \$11 million from the previous year end, including \$6 million of convertible debentures exchanged for stock.

Gross additions to property, plant and equipment totaled \$68 million, the highest level in the Company's history.

Regular quarterly dividends of \$.50 per share were paid in 1965, continuing the rate established in the fourth quarter of 1961. In addition, a special dividend of \$.50 per share was declared and distributed with the dividend for the fourth quarter.

A summary of sources and uses of funds during the year follows:

#### Sources (in millions)

Net earnings . . . . .	\$ 78.3
Depreciation of plant and equipment . . . . .	25.5
Other . . . . .	2.0
Total . . . . .	<u>\$105.8</u>

#### Uses (in millions)

Additions to plant and equipment . . . . .	\$ 67.8
Cash dividends paid . . . . .	20.3
Reduction of long-term debt . . . . .	5.4
Increased jet transport financing . . . . .	3.7
Increased working capital . . . . .	8.6
Total . . . . .	<u>\$105.8</u>

Looking to the future, an evaluation of potential over-all fund requirements indicates that a financing program involving some equity may be desirable.

A major facilities expansion program is being undertaken to support the substantially increased demand for the 707-720-727 and 737 family of jet transports and the Sea Knight and Chinook helicopters and to provide the advanced research, developmental and production facilities required for current and prospective missile, space and military aircraft programs. Capital assets budgets of \$165 million to meet such requirements were approved for 1965, and 1966 budgets will be somewhat higher. The level of facilities expenditures beyond those already committed will be directly related to the decision on the Model 747 advanced jet transport, the outcome of the competition for the design, development and production of the United States Supersonic Jet Transport, and the degree of success achieved in obtaining additional government contracts in the aerospace and related fields.

In addition, substantial commitments with regard to jet transport financing have been undertaken. Such commitments range from short and long-term leases of aircraft to installment notes with varying maturity and security provisions. Although it is the Company's objective to minimize commitments in this area, there will undoubtedly be a continuing requirement for substantial capital resources to be devoted to jet transport financing.

If the company undertakes the 747 program, the inventory investment, even with airline advance payment requirements increased over normal levels, will be substantially greater than that required for any previous jet transport program. Such requirement would, in the earlier stages of a 747 program, occur at the same time that inventory investment on the Model 737 short-range jet is peaking.

BACKLOG (in millions)	1965	1964
Commercial . . . . .	\$2,455	\$1,139
Missiles and Space . . . . .	359	324
Military Aircraft . . . . .	334	381
Total . . . . .	<u>\$3,148</u>	<u>\$1,844</u>

Backlog of unfilled commercial orders at the

end of 1965 more than doubled from the previous year end, while the government order backlog decreased slightly. As stated in previous reports, unfilled orders from the U.S. Government are limited to amounts obligated to contracts by the procuring agencies. If recognition were given to unfunded amounts believed to be firmly established in Department of Defense and NASA procurement plans, unfilled orders would be substantially increased.

#### FEDERAL INCOME TAXES

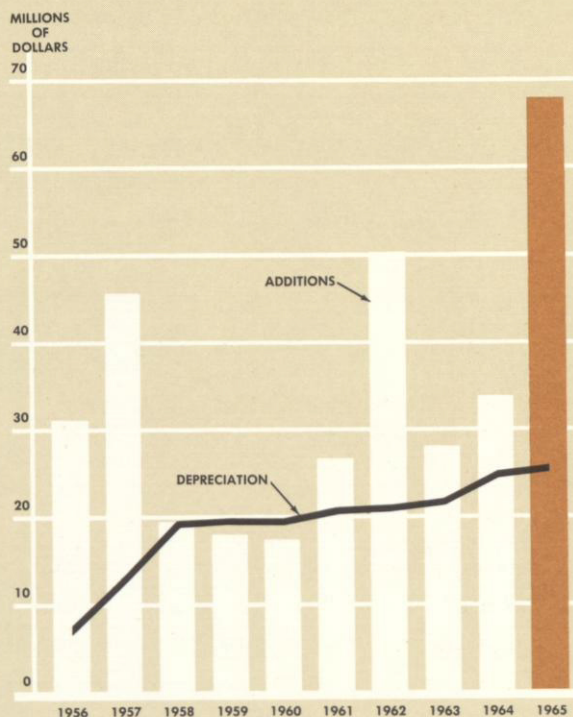
The Internal Revenue Service has reviewed and agreed to all federal income tax returns through the year 1963, except for certain pending refund claims which have not been recorded in the accounts. The income tax liability stated on the balance sheet is believed to provide adequately for the years 1964 and 1965.

#### RENEGOTIATION

During 1965, renegotiation refund cases pending in the Tax Court of the United States for the years 1953, 1954, and 1955 were settled by agreement between the Company and the Renegotiation Board acting through the Department of Justice. Settlement of the cases was concluded, not through any concession on the part of the Company that profits realized were excessive within the meaning of the Renegotiation Act, but to avoid the expense and delay of prolonged litigation. Amounts previously provided for in the financial statements covered the refunds required under the terms of the settlement.

With the above settlement, Renegotiation Board proceedings for all years through 1962 have been concluded. The Company does not know and cannot predict what the Board's action will be for 1963 and subsequent years. In view of this uncertainty, and the belief of the Company that no excessive profits were realized, no provision for renegotiation refund has been made for these years.

#### PROPERTY, PLANT AND EQUIPMENT

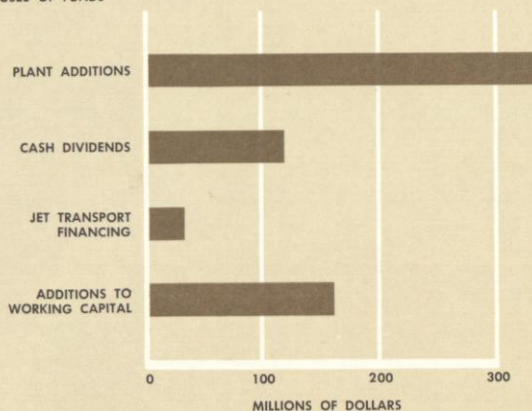


#### FUNDS STATEMENT 1956-1965

##### SOURCES OF FUNDS



##### USES OF FUNDS



## TEN YEAR COMPARATIVE FINANCIAL DATA

Dollars (other than per share amounts) in millions

### SALES, EARNINGS AND DIVIDENDS

	SALES	EARNINGS BEFORE INCOME TAXES		NET EARNINGS			CASH DIVIDENDS	
		AMOUNT	% OF SALES	AMOUNT	% OF SALES	PER SHARE	AMOUNT	PER SHARE
1965	\$2,023	\$149.6	7.4	\$78.3	3.9	\$9.56	\$20.3	\$2.50
1964	1,969	89.0	4.5	45.3	2.3	5.64	16.0	2.00
1963	1,771	44.9	2.5	21.7	1.2	2.71	16.0	2.00
1962	1,769	56.3	3.2	27.2	1.5	3.40	16.0	2.00
1961	1,801	73.9	4.1	35.7	2.0	4.47	13.5	1.70
1960	1,555	51.8	3.3	24.5	1.6	3.07	9.1	1.14
1959	1,649	26.4	1.6	12.7	0.8	1.60	7.4	0.92
1958	1,752	63.4	3.6	30.2	1.7	3.82	7.0	0.89
1957	1,674	80.8	4.8	39.8	2.4	5.10	6.7	0.86
1956	1,096	74.1	6.8	35.4	3.2	4.56	8.2	1.05

### FINANCIAL POSITION DATA

	WORKING CAPITAL	LONG-TERM NOTES	LEASED AIRCRAFT	PLANT AND EQUIPMENT		LONG-TERM DEBT	STOCKHOLDERS' INVESTMENT	
				AT COST	NET		AMOUNT	PER SHARE
1965	\$260	\$20	\$14	\$380	\$172	\$ 98	\$372	\$45.41
1964	252	1	29	315	130	110	306	38.13
1963	243	9	17	285	121	115	276	34.49
1962	196	13	10	261	115	65	270	33.78
1961	178	25	32	214	86	65	258	32.38
1960	199	17	8	189	81	71	236	29.62
1959	204	2	—	172	83	71	221	27.68
1958	197	—	—	155	85	71	213	26.92
1957	102	—	—	136	84	—	186	23.90
1956	101	—	—	91	52	—	152	19.60

Notes: All per share data adjusted to reflect stock dividends and stock splits.

Vertol Aircraft Corporation, acquired in 1960, included in data for prior years.

# PRINCIPAL SOURCES AND USES OF FUNDS

SOURCES			USES				
NET EARNINGS	DEPRECIATION	DEBENTURES AND CAPITAL STOCK SOLD	CASH DIVIDENDS	ADDITIONS TO PLANT	INCREASED AIRCRAFT FINANCING	INCREASED WORKING CAPITAL	
\$78.3	\$25.5	(\$4.1)	\$20.3	\$67.8	\$ 3.7	\$ 8.6	1965
45.3	24.7	(4.6)	16.0	33.6	4.5	8.3	1964
21.7	21.6	50.7	16.0	28.2	3.1	46.9	1963
27.2	21.0	0.8	16.0	50.1	(34.7)	18.0	1962
35.7	20.6	(5.6)	13.5	26.8	32.4	(20.7)	1961
24.5	19.4	—	9.1	17.4	22.3	(4.7)	1960
12.7	19.5	2.2	7.4	18.1	2.5	7.0	1959
30.2	19.1	73.8	7.0	19.5	—	94.8	1958
39.8	12.9	0.9	6.7	45.6	—	1.4	1957
35.4	7.1	0.7	8.2	31.2	—	2.2	1956

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## GENERAL INFORMATION

SHARES OUTSTANDING	BACKLOG	FLOOR AREA (In Million Square Feet)			EMPLOYEES		
		BOEING OWNED	LEASED	GOV'T OWNED	AVERAGE NUMBER	SALARIES AND WAGES	
8,187,140	\$3,148	12.5	2.5	11.4	93,400	\$813	1965
8,036,986	1,844	11.3	2.1	11.2	90,900	758	1964
8,012,568	1,815	11.1	2.0	11.2	100,400	803	1963
7,992,376	1,620	10.8	2.3	10.8	104,100	768	1962
7,982,430	1,869	7.2	1.9	11.8	89,800	629	1961
7,971,647	2,139	6.6	1.7	11.4	81,700	556	1960
7,970,640	2,018	6.4	1.8	11.7	92,300	579	1959
7,768,735	2,470	6.1	2.2	11.7	95,300	566	1958
7,351,196	2,482	6.0	2.3	11.3	99,300	537	1957
7,028,155	3,141	4.2	2.3	9.4	76,000	400	1956

## ASSETS

	<i>December 31,</i>	
	<i>1965</i>	<i>1964</i>
<b>CURRENT ASSETS</b>		
Cash and marketable securities . . . . .	\$ 97,121,000	\$ 47,767,000
Amounts receivable under United States Government contracts . . . . .	170,820,000	179,403,000
Other accounts and notes receivable . . . . .	64,923,000	61,557,000
Inventories . . . . .	215,806,000	195,033,000
Prepaid expenses . . . . .	3,772,000	3,206,000
Total Current Assets . . . . .	\$552,442,000	\$486,966,000
 <b>LONG-TERM NOTES RECEIVABLE . . . . .</b>	 \$ 19,857,000	 \$ 952,000
<b>LEASED AIRCRAFT . . . . .</b>	<b>13,980,000</b>	<b>29,226,000</b>
<b>OTHER ASSETS AND DEFERRED CHARGES . . . . .</b>	<b>3,899,000</b>	<b>4,095,000</b>
 <b>PROPERTY, PLANT AND EQUIPMENT,</b>		
at cost . . . . .	\$379,832,000	\$314,929,000
Less accumulated depreciation and amortization . . . . .	207,783,000	184,727,000
	<u>\$172,049,000</u>	<u>\$130,202,000</u>
	<u><u>\$762,227,000</u></u>	<u><u>\$651,441,000</u></u>

## LIABILITIES AND STOCKHOLDERS' INVESTMENT

	<i>December 31,</i>	
	<i>1965</i>	<i>1964</i>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt . . . . .	\$ 2,750,000	\$ —
Accounts payable and accrued expenses . . . .	277,219,000	225,909,000
Allowance for renegotiation, net of taxes . . .		7,768,000
Federal taxes on income (less U. S. tax anticipation bills: 1965, \$49,146,000; 1964, \$24,547,000) . . . . .	<u>12,213,000</u>	<u>1,617,000</u>
Total Current Liabilities . . . . .	\$292,182,000	\$235,294,000
 <b>LONG-TERM DEBT,</b>		
less current portion . . . . .	\$ 98,289,000	\$109,707,000
 <b>STOCKHOLDERS' INVESTMENT</b>		
Capital stock, par value \$5 a share—		
Authorized, 10,000,000 shares		
Issued and outstanding at stated value:		
1965, 8,187,140 shares;		
1964, 8,036,986 shares . . . . .	\$135,979,000	\$128,675,000
Retained earnings . . . . .	<u>235,777,000</u>	<u>177,765,000</u>
	<u>\$371,756,000</u>	<u>\$306,440,000</u>
	<u>\$762,227,000</u>	<u>\$651,441,000</u>

See notes to financial statements.

**STATEMENT OF NET EARNINGS**

	YEAR ENDED DECEMBER 31,	
	1965	1964
Sales and other income . . . . .	\$2,042,474,000	\$1,982,726,000
Costs and expenses . . . . .	\$1,885,441,000	\$1,886,445,000
Interest and debt expense . . . . .	7,465,000	7,257,000
Federal taxes on income . . . . .	71,300,000	43,700,000
	<u>\$1,964,206,000</u>	<u>\$1,937,402,000</u>
NET EARNINGS . . . . .	<u>\$ 78,268,000</u>	<u>\$ 45,324,000</u>

**STATEMENT OF STOCKHOLDERS' INVESTMENT**

YEAR ENDED DECEMBER 31, 1965

	SHARES	CAPITAL STOCK AMOUNT	RETAINED EARNINGS
Balance at January 1, 1965 . . . . .	8,036,986	\$128,675,000	\$177,765,000
Net earnings . . . . .			78,268,000
Shares sold to officers and employees:			
Under stock option plan . . . . .	23,187	924,000	
Under incentive compensation plan . . . . .	7,599	484,000	
Shares issued in exchange for Con- vertible Subordinated Debentures	119,368	5,896,000	
Cash dividends paid, \$2.50 a share . . . . .			(20,256,000)
Balance at December 31, 1965 . . . . .	<u>8,187,140</u>	<u>\$135,979,000</u>	<u>\$235,777,000</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### INVENTORIES:

Work in process on military fixed-price incentive type contracts is stated at the total of direct costs and overhead applicable thereto, less the estimated average cost of deliveries based on the estimated total cost of the contracts. Work in process on straight fixed-price contracts is stated in the same manner, except that applicable research, developmental, administrative, and other general expenses are charged directly to earnings as incurred. In addition, effective January 1, 1965, the Company adopted the policy of charging basic engineering and planning costs applicable to commercial jet transport programs directly to earnings instead of to work in process. The effect of this change was to reduce net earnings for 1965 by \$9,700,000. At December 31, 1965, work in process aggregated \$527,853,000, less advances and progress payments of \$346,288,000.

To the extent that estimated costs of units scheduled for production, determined in the above manner, are expected to exceed total sales price, charges are made to current earnings in order to reduce work in process to estimated proportionate sales value.

Commercial spare parts and general stock materials, aggregating \$34,241,000, are stated at average cost, not in excess of realizable value.

### INVESTMENT TAX CREDIT:

The investment tax credit is being deferred and amortized ratably over the lives of the applicable assets. The cumulative amount deferred at December 31, 1965 is \$4,300,000.

### LONG-TERM DEBT AND RESTRICTIONS ON RETAINED EARNINGS:

	<i>December 31,</i>	
	1965	1964
5% Notes payable to insurance company, less current installment . . . .	\$ 47,250,000	\$ 50,000,000
5% Sinking Fund Debentures . . . .	26,501,000	29,201,000
4½% Convertible Subordinated Debentures . . . .	24,538,000	30,506,000
	<u>\$ 98,289,000</u>	<u>\$109,707,000</u>

The Notes payable to insurance company, maturing in 1983, are payable in annual installments of \$2,750,000.

Sinking fund requirements under the 5% Sinking Fund Debentures, due in 1978, are \$2,700,000 annually. Debentures aggregating \$5,399,000, previously reacquired, have been cancelled but may be applied against future sinking fund requirements.

The 4½% Convertible Subordinated Debentures, due in 1980, are convertible at two shares for each \$100 principal amount. Of the Company's unissued capital stock, 490,756 shares are reserved for conversion of the debentures. The annual sinking fund requirements beginning in 1968 amount to \$1,750,000 less credits for previously converted debentures.

The indentures under which the long-term obligations were issued place various restrictions on the use of retained earnings for the payment of cash dividends or acquisition of the Company's capital stock or subordinated indebtedness. Under the most restrictive of these provisions, retained earnings totaling \$120,880,000 at December 31, 1965 were not so restricted.

### OPERATING CHARGES:

The following charges were incurred in the years ended December 31:

	1965	1964
Depreciation and amortization of plant and equipment . . .	\$25,489,000	\$24,667,000
Retirement plan contributions . . . .	23,574,000	28,174,000

### STOCK OPTIONS:

At December 31, 1965, options for 67,028 shares of the Company's stock, at prices ranging from \$30.50 to \$71.50, were outstanding, of which 18,826 shares were exercisable. During 1965, 23,187 shares were issued upon exercise of options and options were granted for 2,500 shares.

An additional 90,733 shares are available for future grants under the restricted stock option plan.

## ACCOUNTANTS' REPORT

TOUCHE, ROSS, BAILEY & SMART

610 WASHINGTON BUILDING  
SEATTLE, WASHINGTON 98101

February 28, 1966

Board of Directors  
The Boeing Company  
Seattle, Washington

We have examined the accompanying balance sheet of The Boeing Company as of December 31, 1965 and the related statements of net earnings and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, the financial statements referred to above present fairly the financial position of The Boeing Company at December 31, 1965 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Except for the change, which we approve, described in the "Inventories" note to financial statements, such principles were applied on a basis consistent with that of the preceding year.

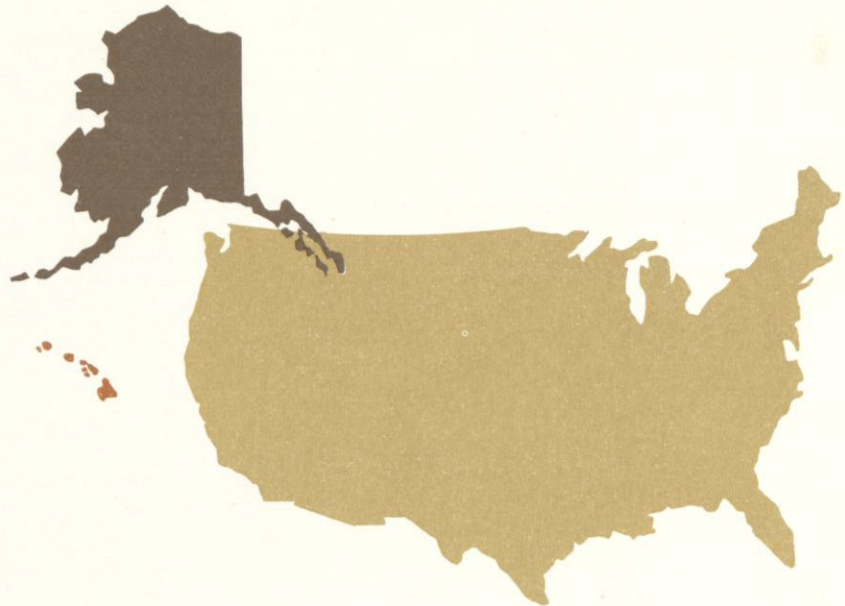
Also, in our opinion, the action of the Board of Directors on February 28, 1966, in setting aside the sum of \$2,000,000 for the year 1965 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

*Touche, Ross, Bailey & Smart*

Certified Public Accountants

## SUBCONTRACTING

ALABAMA	\$ 7,016,593
ALASKA	98,516
ARIZONA	32,646,382
ARKANSAS	521,951
CALIFORNIA	409,051,872
COLORADO	1,216,855
CONNECTICUT	268,427,172
DELAWARE	575,675
DISTRICT OF COLUMBIA	93,271
FLORIDA	5,578,058
GEORGIA	1,748,085
HAWAII	5,000
IDAHO	28,012
ILLINOIS	24,954,340
INDIANA	4,969,408
IOWA	5,332,019
KANSAS	16,227,033
KENTUCKY	237,879
LOUISIANA	4,170,527
MAINE	4,085
MARYLAND	7,719,107
MASSACHUSETTS	12,908,541
MICHIGAN	17,494,144
MINNESOTA	12,292,475
MISSISSIPPI	694,608
MISSOURI	8,852,611
MONTANA	202,125
NEBRASKA	440,980
NEVADA	54,802
NEW HAMPSHIRE	362,167
NEW JERSEY	67,421,032
NEW MEXICO	173,438
NEW YORK	62,669,546
NORTH CAROLINA	1,154,355
NORTH DAKOTA	635,883
OHIO	50,835,505
OKLAHOMA	648,402
OREGON	21,474,788
PENNSYLVANIA	46,031,576
RHODE ISLAND	970,446
SOUTH CAROLINA	46,287
SOUTH DAKOTA	77,183
TENNESSEE	1,321,049
TEXAS	10,736,365
UTAH	293,323
VERMONT	2,932,952
VIRGINIA	810,199
WASHINGTON	184,320,625
WEST VIRGINIA	394,462
WISCONSIN	2,514,460
WYOMING	423,113



Of every sales dollar received by the Company, more than 50% is spent in procurement of supplies or for subcontracted work. During 1965 such contracts were let to over 15,000 firms in an amount of more than \$1.2 billion. Geographically these firms were located in all 50 states and the District of Columbia.

Of the firms with which the Company deals, 74% are classified as small business—generally defined as those with less than 500 employees.

In thus contributing to the growth of thousands of businesses—large

and small—the Company is also contributing to a solid foundation of industrial know-how and production capability. In turn such resources assure supply lines for both peaceful and military requirements of the nation and provide a competitive atmosphere which assures highest quality at lowest cost.

(Many of the orders represented in the sum shown for the State of Washington in the listing by states actually accrue to other states but are placed with local offices or representatives of the manufacturers.)

## OFFICERS AND DIRECTORS

WILLIAM M. ALLEN  
*President, Director*

C. L. EGTVEDT  
*Chairman, Director*

E. H. BOULLIOUN  
*Vice President—Assistant  
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DARRAH CORBET

D. A. FORWARD

FRED P. LAUDAN

J. E. SCHAEFER

DIETRICH SCHMITZ



*Claire L. Egtvedt*

Following 49 years of continuous service to the Company, Claire L. Egtvedt, chairman, has asked that his name not be submitted for re-election as a director at the annual meeting to be held April 25. With sincere regret the Board has acquiesced to Mr. Egtvedt's wishes and thus he will retire as both a director and chairman of the Company.

Mr. Egtvedt joined The Boeing Company in 1917, just one year after its formation, as a draftsman in the engineering department. In 1918 he was named chief engineer. In 1925 he became vice president and chief engineer. He was promoted to vice president and general manager of the Company in 1926 and in 1933 became president. He served as president until 1939, at which time he was named chairman of the Company.

In 1944, as chairman, he assumed the responsibility of Chief Executive Officer upon the death of the then Company President, P. G.

Johnson. He served in this capacity until William M. Allen was named President in 1945.

Generally recognized as the "father of the four-engine bomber," Mr. Egtvedt was directly responsible for creation of the original B-17 Flying Fortress during the 1930's. Under his direction Boeing also developed two four-engine commercial aircraft during the 1930's. They were the Model 314 Flying Clipper and the Model 307 Stratoliner—the first pressurized cabin plane used in regular airline service. It was his early direction which guided the Company into the large four-engine aircraft field where it has attained singular success in production of both military and commercial airplanes in this class.

In 1957 Mr. Egtvedt was honored by the University of Washington which named him "Alumnus Summa Laude Dignatus."

*The Boeing Company is composed of an administrative headquarters organization and seven operating divisions of which two are incorporated in a Group administration. Headquarters, the Space Division and Missile and Information Systems Division of the Aerospace Group, the Supersonic Transport Division, the Turbine Division and the Commercial Airplane Division are located in the Seattle, Washington area. The Wichita Division is located in Wichita, Kansas, and the Vertol Division is in the Philadelphia, Pennsylvania area.*

*The Space Division's Launch Systems Branch conducts its principal operations in New Orleans, Louisiana and Huntsville, Alabama, with the division's Space Craft Programs operation in Seattle. The Boeing Atlantic Test Center is a Space Division operation at Cape Kennedy, Florida.*

*The Company has two wholly owned subsidiaries—Boeing of Canada, Limited, located in Arnprior, Ontario, and Boeing International Corporation with principal offices in Seattle.*

GENERAL COUNSEL	HOLMAN, MARION, PERKINS, COIE & STONE
GENERAL AUDITORS	TOUCHE, ROSS, BAILEY & SMART
TRANSFER AGENT	FIRST NATIONAL CITY BANK, NEW YORK CITY
REGISTRAR	BANKERS TRUST COMPANY, NEW YORK CITY

THE **BOEING** COMPANY

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*Proof of the product—Production flight test takeoff*

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